

STATE OF CALIFORNIA



MEMO

To : EXECUTIVE COMMITTEE
KATHRYN DOI, PRESIDENT
BISMARCK OBANDO, VICE PRESIDENT

Date: May 21, 2019

From : TIMOTHY M. CORCORAN
DANIELLE R. PHOMSOPHA

Subject: DISCUSSION CONCERNING PENDING LEGISLATION

The following provides a summary of pending State legislation that is of interest to the New Motor Vehicle Board ("Board"). The criteria for reporting on "legislation of general interest" is that the bill impacts the Vehicle Code, the Board, and/or the automotive industry in general and does not directly impact the Board or its enabling statute. For purposes of this report "legislation of special interest" is that which directly affects the Board's laws or functions.

Bill summaries include a brief overview of the bill as provided by the Legislative Counsel's Digest or the Congressional Research Service, if available, as well as the current status of the bill.¹

A. Pending Legislation of Special Interest:

(1) **Assembly Bill 179 - Assembly Member Reyes** (Introduced January 9, 2019)

Status: Read third time and amended. Ordered to Assembly Floor third reading.

Support: California New Car Dealers Association (Sponsor), California Conference of Machinists, California Motorcycle Dealers Association

Opposition: Alliance of Automobile Manufacturers, Association of Global Automakers, Civil Justice Association of California, Honda North America, Inc.

Legislative Counsel's Digest: New Motor Vehicle Board

Existing law establishes the New Motor Vehicle Board in the Department of Motor Vehicles, and requires the board to hear and decide certain protests presented by a motor vehicle franchisee in regard to a dispute with the vehicle manufacturer. Prior law, until January 1, 2019, authorized the board to hear protests by an association challenging the legality of an export or sale-for-resale prohibition policy of a manufacturer, manufacturer branch, distributor, or distributor branch and established procedures for hearing those protests, as specified.

¹ All statutory references are to the Vehicle Code, unless otherwise indicated.

This bill would again authorize the board to hear these protests and establish the hearing procedures until January 1, 2030.

Existing law requires the board to hear an appeal filed by a new motor vehicle dealer, manufacturer, manufacturer branch, distributor, or distributor branch licensee or applicant of a decision by the department.

This bill would remove this requirement for the board to hear those appeals, and would repeal applicable provisions.

Prior law, until January 1, 2019, authorized the board, under specified circumstances, to mediate, arbitrate, or otherwise resolve certain disputes between a member of the public and a new motor vehicle dealer, manufacturer, manufacturer branch, distributor, distributor branch, or representative.

This bill would authorize the board to hear those disputes only if they are brought by the member of the public or the member of the public consents to the jurisdiction of the board.

Existing law requires a franchisor to fairly compensate for labor and parts used to fulfill warranty obligations.

This bill would instead require a franchisor to reimburse a franchisee according to a retail labor rate and retail parts rate established by each franchisee. The bill would prescribe the method by which a franchisee may establish or alter those reimbursement rates and would require the board to resolve any disputes regarding the calculation of those rates. The bill would prohibit specified actions by a franchisor related to the establishment of those reimbursement rates.

Existing law prohibits a licensed manufacturer, manufacturer branch, distributor, distributor branch, or affiliate from engaging in specified proscribed business practices. A violation of these provisions is a misdemeanor.

This bill would prohibit additional acts, including making it unlawful for these entities to restrict dealers from selecting certain vendors of their choice, as specified. Because a violation of these new provisions would be punishable as a crime, the bill would impose a state-mandated local program.

The bill includes legislative findings and declarations and would make other conforming changes.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

B. Pending Legislation of General Interest:

(1) **Assembly Bill 380 - Assembly Member Frazier** (Introduced February 5, 2019)

Status: In the Assembly Appropriations committee, held under submission

Support: Southern California Partnership for Jobs, California Asphalt Pavement Association

Opposition: None on file

Legislative Counsel's Digest: Office of the Transportation Inspector General

Existing law creates the Department of Transportation within the Transportation Agency and creates the Independent Office of Audits and Investigations within the department, with specified powers and duties. Existing law requires the Governor to appoint the director of the office for a 6-year term, subject to confirmation by the Senate, and provides that the director, known as the Inspector General, may not be removed from office during the term except for good cause. Existing law specifies the duties and responsibilities of the Inspector General with respect to the department and local agencies receiving state and federal transportation funds through the department, and requires an annual report to the Legislature and Governor.

This bill would eliminate the Independent Office of Audits and Investigations and would instead create the Independent Office of the Transportation Inspector General in state government, as an independent office that would not be a subdivision of any other government entity, to ensure that specified state agencies and all external entities that receive state and federal transportation funds are operating efficiently, effectively, and in compliance with federal and state laws. The bill would require the Governor to appoint the Transportation Inspector General for a 4-year term, subject to confirmation by the Senate, and would prohibit the Transportation Inspector General from being removed from office during the term except for good cause. The bill would specify the duties and responsibilities of the Transportation Inspector General and set the salary of the Transportation Inspector General. The bill would require the Transportation Inspector General to submit an annual report to the Governor, the Legislature, and the California Transportation Commission.

C. Pending Federal Legislation of General Interest:

None.

This matter is for information only at the June 7, 2019, General Meeting. If you have any questions or require additional information, please contact me at (916) 324-6197 or Danielle at (916) 327-3129.